

Central California Conference of Seventh-day Adventists

Church Treasurers Training Information

Duties of the Church Treasurer

◆ The Role of the Treasurer

- Custodian of church funds
- Supervises
 - Counting,
 - Receipting,
 - Posting, and
 - Banking of Funds
- Member of the Church Board
- Member of the Finance Committee
- Time Commitment
 - May require 10 to 15 hours per week
 - Will need an assistant and counters

Duties of the Church Treasurer

◆ The Role of the Treasurer

- Reports through monthly financial statements
 - To the Pastor
 - To the Church Board
- Reports to the Conference Office with the Monthly Remittance Report
- Reports to the Church in Business Meetings periodically

Duties of the Church Treasurer

◆ Confidentiality

- Access to church ledger is restricted
 - Authorized to see ledger are:
 - Pastor
 - First Elder
 - Finance Committee Chairman
 - Assistant Church Treasurers
 - Conference Treasurer
 - Auditor

◆ Storage of Records

- See Policy on Document Retention

Duties of the Church Treasurer

◆ Tithes and Offerings

- Two or More Counting
- Safekeeping of church money until deposited
- Date stamp and initial all envelopes

◆ Receipting

- *Encourage use of Tithe Envelopes for all donations*
- *Total Tithe Envelopes = Total Deposit*

Duties of the Church Treasurer

◆ Personal Receipts

- No strict rule for time of distribution
 - Issued at least once per year
- Must comply with IRS Substantiation Requirements
(see slide titled Receipts for contributions)

Duties of the Church Treasurer

◆ Banking

- Bank Account in Church's Name
- *Separate Tax ID*
- *Deposit funds weekly*
- *Review and reconcile bank statement monthly*

◆ Accounts Payable

- Authorization generally given in Church Budget
- Special projects or non-budgeted items must be authorized by:
 - Church Board, or
 - Church Business Meeting

Duties of the Church Treasurer

◆ Accounts Payable

- *Use Checks for all Disbursements*
- *Do not Issue Checks to Cash*
- *Do not Issue Cash from Offering Plate*
- *Disable Void Checks*
- *Two Signatures on Checks*
- *Secure Receipts for all Disbursements*
- *Do not Disclose Assistance to Members*
- *Do not Issue Blank Checks*

Duties of the Church Treasurer

“Neither the Church Treasurer nor the church board has the authority to divert any funds from the objective for which they were given.” Church Manual, page 60

Duties of the Church Treasurer

“The funds for auxiliary Organizations... are held in trust... and they too many not be borrowed or in any way diverted by the treasurer or the church board from the objective for which they were raised.”

Church Manual, page 60

Duties of the Church Treasurer

◆ Books Should be Audited

- *Potential Effect on Insurance Rates*

◆ Auditing

- *Valuable feedback to increase efficiency*
- *Training in policies and procedures*
- *Helps to develop confidence in treasury work*
- *Review of permanent files*

(See Policy on Processing Audit Reports & Findings on Local Churches)

Audit Issues

- | | |
|---|---|
| ◆ Major Transactions | ◆ Paying Rent to a Third Party for a Bible Worker or Church Plant |
| ◆ Loans from Church Funds | ◆ Assistance to Students |
| ◆ Checks Issued to Cash | ◆ Evangelism Recap Report |
| ◆ Constructive Remuneration | ◆ Paying Individuals for Services |
| ◆ Checks Issued to the Treasurer | ◆ 1099MISC Forms |
| ◆ Supporting Documentation for Benevolence Assistance | ◆ Donations for Other Non-Profit Organizations |
| ◆ Backup for Disbursements | ◆ Projects Overseas |
| ◆ Expense Reimbursement or Allowance | ◆ Mission Trips |
| ◆ Reimbursements or Advanced Checks | ◆ Contributions |
| ◆ Missing Supporting Documentation | ◆ New Payroll Procedure |

Standing Church Policy or Board Action for Major Transactions

- ◆ There should be a standing church policy (copy should be provided) or a board action recorded on the minutes authorizing all major transactions, such as:
 - Investment decisions
 - Transfer of funds
 - Major expenditures

LOANS from Church Funds

“...No loans of church funds should be made to any private party at any time for any purpose.”

(GC Auditing Service - Local Church Accounting Manual, paragraph 205.04)

Checks Issued to CASH

- ◆ All checks should be issued to an individual or an organization
- ◆ If cash is required for a transaction:
 - Issue the check to an individual
 - That individual will then be responsible for providing appropriate supporting documentation for the disbursement
- ◆ If cash is needed regularly for day to day transactions request board approval to implement an Petty Cash System

(see Petty Cash Authorization Form & Petty Cash Replenishing Form)

Constructive Remuneration

- ◆ Payments issued to a third party on behalf of an individual as agreed, based on services performed for the church is income for that individual

Checks Issued to the Treasurer

- ◆ All checks issued to the Treasurer should be approved by another board authorized officer (i.e. Pastor, First Elder, etc.)

Supporting Documentation for Benevolence Assistance

- ◆ A document stating that a committee, or the church board approved the disbursement of funds for benevolence assistance, should be attached to the payment voucher
- ◆ The document should be signed by someone other than the treasurer

(see sample Benevolence Request Form)

Backup for Disbursements

- ◆ Require original receipts
- ◆ Copies of receipts may cause duplicate reimbursement
- ◆ Once funds are reimbursed to the payee the receipts belong to the church

Expense Reimbursement or Allowance

- ◆ A fixed periodic allowance paid to an individual is taxable income (Non-Accountable Plan)
- ◆ A periodic expense reimbursement is non-taxable income (Accountable Plan)
 - Receipts or invoices are required

Reimbursements or Advanced Checks

Please attach a calculator tape to the
receipts/invoices with the total
reimbursed

or

Use the
Detail of Receipts for Reimbursement or
Advanced Check Form

Missing Supporting Documentation

Checks issued to individuals who do not
provide proper supporting documentation will
be considered income for services provided
and reported to the IRS on a 1099MISC form
if checks total \$600 or more

(see memo dated November 12, 2008)

Paying Rent to a Third Party (for a Bible Worker or a Church Plant)

Issue a 1099MISC form if the recipient
of the payments is not a Corporation or
a Church

Assistance to Students

SUMMARY OF TAXABLE ITEMS FOR STUDENTS

Payment for	Degree candidate	Not a degree candidate
Tuition	Tax free *	Taxable
Fees	Tax free *	Taxable
Books	Tax free *	Taxable
Supplies	Tax free *	Taxable
Equipment	Tax free *	Taxable
Room	Taxable	Taxable
Board	Taxable	Taxable
Travel	Taxable	Taxable
Teaching	Taxable	Taxable

Evangelism Recap Report

- ◆ Make copies of invoices/receipts to submit with recap
- ◆ Retain originals in church files

Paying Individuals for Services

Before receiving payment, each person providing a service to the church must complete either:

- W-4 and I-9 forms to be paid as an Employee through payroll,
- W-9 to be paid as a “bonafide” Independent Contractor (*someone who is in the business of providing that particular type of service*), or
- W-8 to be paid as a Non-Resident Alien (i.e.: foreigners)

Paying Individuals for Services

◆ When paying speakers please remember to separate:

- Reimbursed expenses:

- Travel (mileage, airfare, fuel, etc.),
 - Lodging
 - Meals (per diem)
 - Materials

(receipts or invoices must be provided or payment will be taxable income)

from

- Honorarium for services

1099MISC Forms

◆ CCC Auditing Service will prepare these forms if the church provides the following information:

- Name, address, and SS or TIN of recipient
- Amount paid by the church in the year

Donations for Other Non-Profit Organizations

- ◆ The Church Treasurer has no authority to state that the funds donated “through” the church to be sent to other organizations will be used for the intended purpose
- ◆ The Church Treasurer is only authorized to issue receipts for organizations listed in “The Seventh-day Adventist Year Book”

Projects Overseas

- ◆ “When an American church spends money outside the United States, the IRS requires it to
 - (1) retain control and discretion over the use of the funds,
 - (2) maintain records establishing that the recipient used the funds exclusively for exempt purposes, and
 - (3) limit spending to specific projects that exclusively further the church's exempt purposes.

http://www.churchexecutive.com/2003/11/Tax_Issues.asp

Donations for Projects Overseas

- *[An individual] can deduct contributions to a U.S. organization that transfers funds to a charitable foreign organization*
 - *if the U.S. organization controls the use of the funds by the foreign organization, or*
 - *if the foreign organization is just an administrative arm of the U.S. organization.*

Donations for Projects Overseas

- Funds may be sent to CCC, or
 - To the General Conference
- Donations should be a minimum of \$100
- Attention:
- Overseas Projects
12501 Old Columbia Pike
Silver Spring, MD 20204

MISSION TRIPS

- ◆ Proper supporting documentation must be secured for all expenses related to a Mission Trip, whether in the U.S. or abroad
 - Individuals who are given funds for expenditures during the trip, must account for all monies spent. Unsupported expenses will be reported as taxable income to that individual.

Contributions

- ◆ Online Donations through Adventist Giving
- ◆ Recording Loose Offerings
 - Morning Offering
 - Denomination's Calendar of Offerings
 - Sabbath School Offering
 - Mission
 - Expense
 - Other Loose Offerings
 - Record per Church Board decisions

Contributions you Cannot Deduct

- ◆ A contribution to a specific individual
- ◆ A contribution to a nonqualified organization
- ◆ The part of a contribution from which you receive or expect to receive a benefit
- ◆ **The value of your time or services**
- ◆ Your personal expenses
- ◆ Appraisal fees
- ◆ Certain contributions of partial interests in property

<http://www.irs.gov/publications/p526/ar02.html#d0e1190>

IRS Publication 526 – Charitable Contributions (page 6)

Contributions you cannot deduct:

- ◆ **Contributions for specific individuals**
- ◆ ○ *Funds donated to a non-profit organization are not tax-deductible if the recipient is specified by the donor*

Contributions you cannot deduct:

◆ ***Contributions from which you benefit:***

- ◆ ○ ***Tuition***, or amounts you pay instead of tuition, even if you pay them for children to attend parochial schools or qualifying nonprofit day-care centers. You also cannot deduct any fixed amount you may be required to pay in addition to the tuition fee to enroll in a private school, even if it is designated as a “donation.”

Contributions you cannot deduct:

◆ ***Contributions for specific individuals***

- ◆ ○ ***Funds donated to a non-profit organization are not tax-deductible if the recipient is specified by the donor***

Receipts for Contributions

- ◆ The IRS requires that a receipt be issued for each contribution of \$250 or more
- ◆ Annual receipts issued to members should be a detailed receipt and not a summary
- ◆ Use official form with watermark provided by CCC

Quid-Pro-Quo Contributions

- ◆ IRS requires that a disclosure report be issued for donations of this nature if the amount received is \$75 or more

Receipts for Non-Cash Contributions

- ◆ Obtain Church Board Approval for donation
- ◆ Issue a letter to the donor on the church's letterhead acknowledging receipt of the item donated
- ◆ Do not state a dollar amount in the letter, unless there were actual receipts or invoices submitted by donor
- ◆ No transaction is required in the books
- ◆ File a copy of the letter with church records
- ◆ Issue a form 8283 for donations of more than \$500

How to Handle Donations of Vehicles to the Church

- ◆ The Board must approve the receipt of the donation
- ◆ A form 8283 must be provided to the donor
- ◆ If the vehicle is sold within 2 years, the sale of the vehicle must be reported both to the donor and to the IRS (use form 8282)
- ◆ The donor must adjust his/her tax return to report the actual sale value of the vehicle

New Payroll Procedure

◆ Retirement Eligibility

(Conference Executive Committee Action 04-05 & 05-05, 2005)

- Require local churches and K-8 schools to have all employee payroll processed through the conference payroll system
- Provide exception to NAD retirement contribution for employees who are employed less than half-time or for those who are temporarily employed for one year or less subject to confirmation with the NAD Retirement Office

INTERNAL CONTROL

- ◆ Internal Control is the process designed to provide reasonable assurance regarding the achievement of objectives in:
 - ◆ The effectiveness and efficiency of operation
 - ◆ Compliance with applicable laws, regulation and policies
 - ◆ Financial reporting reliability

Guidelines for Internal Control

- ◆ Rotate Count "Teams"
- ◆ Assign various Deacons to collect offerings
- ◆ Make immediate deposits
- ◆ Reconcile bank account monthly
- ◆ More than one signature for large disbursements
- ◆ Encourage donors to use tithe envelopes
- ◆ Require initials on tithe envelopes

Guidelines for Internal Control

- ◆ Loose offerings counted by two or more individuals
- ◆ Issue periodic contribution receipts
- ◆ Encourage member/donors to review receipts
- ◆ Disbursements must be authorized and supported
- ◆ Pay expenses by check
- ◆ Monthly financial reporting to church board
- ◆ Periodic Audits

Risk Control for Treasurers

OPPORTUNITY
+ MOTIVATION
= CRIME

OPPORTUNITY

- ◆ Too much trust
- ◆ Key individuals
- ◆ Too few people
- ◆ No controls
- ◆ Infrequent audits

MOTIVATION

- ◆ No organizational standards
- ◆ Personal financial challenges of members
- ◆ The church “owes me”
- ◆ I am only “borrowing”
- ◆ Belief that crimes will not be prosecuted by the church

New Policy Provision

- ◆ NAD WP P30 15
 - Dealing with Offenders
 - When an employee/volunteer of a Seventh-day Adventist organization performs an act in violation of the laws of the country and of the financial trust or responsibility reposed in him/her, discipline shall be administered and church officials shall report all violations to appropriate law enforcement officials.

CRIME

- ◆ Unauthorized borrowing
- ◆ Reallocation of funds
- ◆ Embezzlement
- ◆ Creative receipting
- ◆ Unexplained decreases in revenue
- ◆ Inflated expenses

SAFEGUARDS

- ◆ Careful Selection of Counters
- ◆ Two or More Verify Cash Received
- ◆ Monthly Bank Statement Review
- ◆ Safeguard Checks
- ◆ Timely Financial Reports
- ◆ Authorization for new bank accounts
- ◆ Investigate questionable transactions
- ◆ Financial Audits